



Monica Martinez Simmons, City Clerk

**PROPOSED INITIATIVE PETITION SUBMITTAL RECEIPT**

Initiative No. 130

On March 19, 2020 at 2:00 a.m./p.m., I filed one paper and one electronic copy of a proposed Initiative Petition with the Seattle City Clerk.

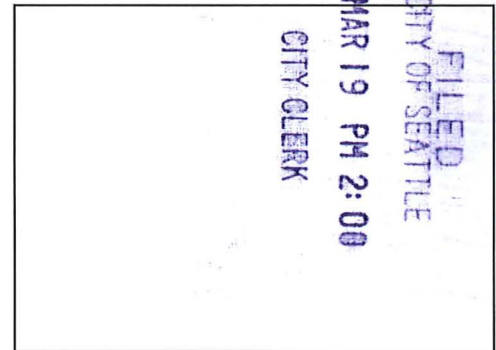
Signed Calvin Priest

Calvin Priest  
Print Name

on behalf of Matt Smith

**CITY CLERK ACKNOWLEDGEMENT OF RECEIPT**

Date/Time Stamp:



Ann M for mms  
Received by

**Letter of Transmittal for Initiative Petition:**  
*AN ACT to Tax Big Businesses to Fund  
Affordable Green Housing in the City of Seattle*

**Contact Information:**

Name: Matt Smith

Phone: 208-284-7567

Address: 6420 Beacon Ave S, Seattle, WA 98108

FILED  
CITY OF SEATTLE  
20 MAR 19 PM 1:57  
CITY CLERK

WARNING

Ordinance 94289 provides as follows:

Section 1. It is unlawful for any person:

1. To sign or decline to sign any petition for a City initiative, referendum, or Charter amendment, in exchange for any consideration or gratuity or promise thereof; or
2. To give or offer any consideration or gratuity to anyone to induce him or her to sign or not to sign a petition for a City initiative, referendum, or Charter amendment; or
3. To interfere with or attempt to interfere with the right of any voter to sign or not to sign a petition for a City initiative, referendum, or Charter amendment by threat, intimidation or any other corrupt means or practice; or
4. To sign a petition for a City initiative, referendum, or Charter amendment with any other than his or her true name, or to knowingly sign more than one (1) petition for the same initiative, referendum or Charter amendment measure, or to sign any such petition knowing that he or she is not a registered voter of The City of Seattle.

Section 2. Any person violating any of the provisions of this ordinance shall upon conviction thereof be punishable by a fine of not more than Five Hundred Dollars (\$500) or by imprisonment in the City Jail for a period not to exceed six (6) months, or by both such fine and imprisonment.

INITIATIVE PETITION FOR SUBMISSION TO THE SEATTLE CITY COUNCIL

To the City Council of The City of Seattle:

We, the undersigned registered voters of The City of Seattle, State of Washington, propose and ask for the enactment as an ordinance of the measure known as Initiative Measure No. .... entitled "An Act to Tax Big Businesses to Fund Affordable Green Housing the City of Seattle," a full, true and correct copy of which is included herein, and we petition the Council to enact said measure as an ordinance; and, if not enacted within forty-five (45) days from the time of receipt thereof by the City Council, then to be submitted to the qualified electors of The City of Seattle for approval or rejection at the next regular election or at a special election in accordance with Article IV, Section 1 of the City Charter; and each of us for himself or herself says: I have personally signed this petition; I am a registered voter of The City of Seattle, State of Washington, and my residence address is correctly stated.

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AN ACT to Tax Big Businesses to Fund  
Affordable Green Housing in the City of Seattle.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF SEATTLE:

A new Chapter 5.38 is added to the Seattle Municipal Code as follows:

Chapter 5.38 TAX ON CORPORATE PAYROLL FOR AFFORDABLE GREEN HOUSING

5.38.000 Findings and Resolution

Progressive revenues are urgently needed to address the deep affordable housing and homelessness crisis affecting a growing number of people in the City of Seattle. Average rents have risen 69% since 2010, far beyond the rate of inflation and more than double the national average, so that now 46% of Seattle renters are officially rent-burdened. Nationwide studies have shown that rising rent increases homelessness - on average, in urban areas, each \$100 increase in the average rent causes at least a 15% increase in homelessness. Meanwhile, the global climate crisis represents a threat to our city and humanity as a whole. The affordable housing and climate crises are deeply intertwined, with Seattle's carbon emissions dramatically exacerbated by the ongoing process of rapid displacement and longer and longer commutes for workers. Yet, as the needs of ordinary people go neglected, Seattle and King County are home to some of the wealthiest corporations and individuals in the world, including Amazon and its CEO, Jeff Bezos. Raising taxes on the biggest businesses in Seattle can provide funding for a major expansion of affordable green housing as a step toward making Seattle affordable, sustainable, and welcoming for all.

5.38.010 Administrative provisions

All of the provisions contained in Chapter 5.55 shall have full force and application with respect to taxes imposed under the provisions of this Chapter 5.38 except as may be expressly stated to the contrary herein.

5.38.020 Definitions

The definitions contained in Chapter 5.30 shall be fully applicable to this Chapter 5.38 except as may be expressly stated to the contrary herein. The following additional definitions shall apply throughout this Chapter 5.38:

A. "Affordable Green Housing" means residential housing structures that are:

1. Publicly-owned or publicly-rent-controlled and set aside for households with incomes between 0 and 100 percent of area median income (AMI);
2. Compliant with the following rent limitations:
  - a. For households earning between 0-30 AMI, monthly rent that is no greater than 30% of the household's monthly income;

- b. For households earning above 30 AMI up to and including 80 AMI, monthly rent that is determined in accordance with the Seattle Office of Housing's annually-published Income and Rent Limits schedule for the Rental Housing Program;
- c. For households earning above 80 AMI up to and including 100 AMI, initial monthly rent that is based on the cost of the individual housing unit selected by the household, independent of the household's income. The Seattle Office of Housing shall either set, or create mandatory formulas for property-owners to use in setting, the initial monthly rental rates for housing units available to households in this AMI range at all properties participating in the Affordable Green Housing program. Thereafter, any annual total rent increases on such rental units shall be no greater than the annual percentage increase in the wage component of the consumer price index (CPI-W). In addition, all such rental units shall be subject to vacancy control, such that when a rental unit becomes vacant or is occupied by new tenants, the new tenants' initial rental rate shall not exceed the last tenants' most recent rental rate; and

3. Compliant with efforts to reduce or offset the effects of climate change and global warming, as recommended by the Green New Deal Oversight Board, pursuant to Section 3.14.979.

B. "Business" has the same meaning as that term defined in SMC 5.30.020. Depending on the context, "business" may also mean a person engaging in business in Seattle.

C. "Tax on corporate payroll" means the payroll expense tax imposed by this Chapter 5.38.

D. "Compensation" means remuneration as that term is defined in RCW 50A.05.010, net distributions, or incentive payments, including guaranteed payments, whether based on profit or otherwise, earned for services rendered or work performed, whether paid directly or through an agent, and whether in cash or in property or the right to receive property. "Compensation" does not include payments to an owner of a pass-through entity that are not earned for services rendered or work performed, such as return of capital, investment income, or other income from passive activities.

E. "Employee" means any person who performs work, labor, or personal services within the City of Seattle for a business, whether or not that person is on the business's payroll. An employee's work, labor, services, or personal services occur "within the City of Seattle" for a given quarterly tax period if the employee either (a) performs 50 percent or more of his or her duties within the City of Seattle during that quarter; or (b) is assigned to work out of a business location in the City of Seattle during that quarter.

For purposes of this Chapter 5.38, the term "employee" also includes all full-time, part-time, and temporary employees or workers (regardless of whether they are referred from an employment agency) on the business's or the referring agency's payroll,

excluding only those workers who (A) are free from the control and direction of the hiring entity in connection with the performance of the work, (B) perform work that is outside the usual course of the hiring entity's business, and (C) are customarily engaged in an independently established trade, occupation or business.

Members of limited liability companies, professional limited liability companies, and partners shall be considered employees.

F. "Employer" means any business which has one or more employees, or the employer's designee or any person acting in the interest of such employer.

G. "Net distribution" means the draws from net income by any owner of a pass-through entity. Taxable distributions are limited by the amount of draws or net income for that owner, whichever is less. If the owner's draw exceeds that individual's net profit, the excess draw is a return of capital. A return of capital is not taxable because it is a liquidation of an owner's assets.

H. "Pass-through entity" includes a trust, partnership, corporation described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company, limited liability partnership, professional corporation, and any other person or entity which is not subject to the income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is allowed a deduction in computing such tax for distributions to the owners or beneficiaries of such person or entity.

I. "Payroll expense" means the aggregate remuneration by a business to its employees. Payroll expense includes, but is not limited to, salaries, wages, tips, or other draws or distributions made to employees, officers, partners, or members of limited liability companies and professional limited liability companies as compensation for their labor and services. A business's payroll expense includes the corresponding payroll expense of any company that serves as paymaster for the business. A business's payroll expense also includes any business which is an alter ego of, or majority owned by, the business.

J. "Publicly-rent-controlled housing" means housing that is:

1. Owned or sponsored by, or leased to, a public corporation pursuant to RCW 35.21.730, a behavioral health administrative services organization established under chapter 71.24 RCW, a nonprofit community or neighborhood-based organization, a federally recognized Indian tribe in the state of Washington, or a regional or statewide nonprofit housing assistance organization, that has applied to the City of Seattle for building permits and/or funding and met all applicable Mandatory Housing Affordability requirements; and
2. Regulated through appropriate legal agreements between the City of Seattle and the housing provider. Such legal agreements must specify renters' rights and the affordability requirements, including:

- a. Incorporating covenants to maintain the housing's affordability in perpetuity or for a period no less than 99 years;
- b. Limiting annual rents increases for housing units in accordance with Section 5.38.020(A)(2) of this Chapter.

#### 5.38.030 Tax imposed-Measure of the tax

A. A quarterly tax on corporate payroll is hereby levied upon and shall be collected from non-exempt employers for the act or privilege of engaging in business activities within the City. The tax shall be measured as a percentage of a non-exempt employer's payroll expense during a quarter of the calendar year.

B. The amount of the tax shall equal 0.7 percent of a non-exempt employer's payroll expense during the previous quarter of the calendar year.

The tax on corporate payroll imposed by this Section 5.38.030 shall take effect on January 1, 2021. All tax on corporate payroll obligations under this Chapter 5.38 will remain in effect and due and payable as scheduled.

#### 5.38.040 Tax on corporate payroll-When due

Non-exempt employers that file and pay their business license tax under Chapter 5.45 on a quarterly basis shall file and pay the tax on corporate payroll on a quarterly basis and non-exempt employers that file and pay their business license tax under Chapter 5.45 on an annual basis shall file and pay the tax on corporate payroll on an annual basis. Non-exempt employers shall report the tax on corporate payroll on forms as prescribed by the Director. Non-exempt employers discontinuing their business activities in Seattle shall report and pay the tax on corporate payroll at the same time as their final business license tax return under Chapter 5.45 is due.

#### 5.38.050 Exemptions from the tax on corporate payroll

The following are exempt from the tax on corporate payroll:

A. Businesses with quarterly payroll expenses less than a qualifying threshold. The qualifying threshold shall be determined as follows:

1. From January 1, 2021 through December 31, 2021, the qualifying threshold shall be \$1,750,000.
2. Beginning on January 1, 2022, and on January 1st of every year thereafter, the Director shall adjust the amount of the qualifying threshold in this section as follows:
  - a. The amount shall increase commensurate with the rate of growth of the prior year's June-to-June CPI-W for the Seattle-Tacoma-Bellevue area as published by the United State Department of Labor;

- b. If the annual change in the CPI-W is negative, no adjustment to the amount must be made;
- c. The amount calculated shall be rounded to the nearest whole dollar.

B. Businesses that are preempted from taxation by cities pursuant to federal or state statutes or regulations, including, but not limited to, the following:

1. Insurance businesses and their agents as defined by RCW 48.01.050 and 48.17.010, respectively, and whose total revenue is exempt from the business license tax per Chapter 5.45.
2. Businesses that only sell, manufacture, or distribute motor vehicle fuel as defined in RCW 82.38.020 and exempted under RCW 82.38.080.
3. Businesses that only distribute or sell liquor as defined in RCW 66.04.010 and exempted in RCW 66.08.120.
4. Businesses spending 75% or more of their gross income on retail sales of food and food ingredients to consumers that are exempt from the retail sales tax under RCW 82.08.0293 or a business spending 75% or more of their gross income on making wholesale sales of food and food ingredients that will be exempt from the retail sales tax under RCW 82.08.0293 when resold by the purchaser.

C. Federal and state government agencies and subdivisions.

D. Non-profit organizations that hold a current tax exempt status as provided under Section 501(c) of the Internal Revenue Code, as hereafter amended, or that are specifically exempted from the requirement to apply for tax exempt status under Section 501(c).

E. Cooperative associations organized under RCW 23.86 or RCW 24.06, or any other cooperative business subject to 26 U.S.C. § 1381, et seq.

F. Hospitals as defined in RCW 70.41.020.

5.38.060 Tax in addition to other license fees or taxes

The tax imposed herein shall be in addition to any license fee or tax imposed or levied under any other law, statute, or ordinance whether imposed or levied by the City, the State, or other governmental entity or political subdivision.

5.38.070 Tax part of operating overhead

The taxes herein levied upon non-exempt employers are not taxes upon the purchasers or customers, but shall be levied upon, and collectible from, non-exempt employers and shall constitute a part of the operating overhead or cost of doing business of non-



exempt employers in the City of Seattle. A business may not make reduce employees' compensation to pay for this tax.

#### 5.38.080 Allocating funds from tax on corporate payroll

A. Taxes collected under this Chapter 5.38 shall be allocated exclusively for expenditures on Affordable Green Housing.

B. Expenditures for Affordable Green Housing programs shall be budgeted on an annual basis as follows:

1. No more than five percent of the proceeds in the first year shall be used to fund one-time expenditures to implement and administer the tax on corporate payroll and to implement the investments in Affordable Green Housing-related strategies described in subparagraphs (2) and (3) below. Not more than three percent of the proceeds in subsequent years shall be used to fund the ongoing administrative functions to assess and collect the tax and administer the investments in Affordable Green Housing-related strategies described in subparagraphs (2) and (3) below.
2. 75% of remaining expenditures shall be allocated for the construction and maintenance of new Affordable Green Housing programs, including but not limited to:
  - a. Developing and preserving permanently Affordable Green Housing, serving individuals and families with household incomes between 0 and 100 percent of the Area Median Income. Such housing may be mixed-income, will be built consistent with Seattle's Green New Deal strategies to equitably increase building efficiency and decrease the use of fossil fuels in homes, and may also be used to provide related and needed community services connected to Affordable Green Housing buildings, including but not limited to affordable child care, community gathering spaces, and open spaces;
  - b. Funding the ongoing operations and services for permanent supportive housing units, including an array of comprehensive services such as counselling and treatment, disability support, skills training, job search assistance, and other services needed to maintain housing stability;
  - c. Acquiring existing structures to incorporate into Affordable Green Housing programs, particularly in areas at high risk for displacement of existing, low- and moderate-income households.

At least 25% of new housing units constructed each year pursuant to this Section must be owned and operated by a public corporation, commission, authority, or other public entity created pursuant to RCW 35.21.730.

For the first three years that funds are allocated, for both new construction and acquisition of existing housing, at least 80 percent of these funds for new housing shall be expended on serving individuals and families who are between 0 and 30 percent of Area Median Income. Thereafter, at least 30 percent of these funds for new housing shall be expended on serving individuals and families who are between 0 and 30 percent of Area Median Income.

At no time shall more than 20 percent of these funds for new housing be expended on serving housing for individuals between 81 and 100 percent of Area Median Income.

3. 25% of remaining expenditures shall be allocated for efforts to make preexisting housing structures more affordable and environmentally sustainable, including but not limited to:
  - a. Transitioning preexisting housing units from the use of natural gas and heating oil to electricity;
  - b. Installing solar technology in or on preexisting residential structures;
  - c. Weatherizing preexisting residential structures, with a focus on housing for renters in communities most harmed by racial, economic, and environmental injustice to become more energy efficient; and
  - d. Mitigating any adverse employment impacts that might result from the above-described activities through job training programs prioritizing workers negatively affected thereby. Specific job training investment proposals shall be informed by the recommendations of the Green New Deal Oversight Board, to ensure a just transition and no economic harm to any potentially negatively affected workers.

Projects invested in under this Section 5.37.080, whether for new construction housing development or renovation of existing housing, and regardless of whether the project is or is not considered a public works project, shall be consistent with the standards set forth in Chapter 20.37 of the Seattle Municipal Code, known as the Priority Hire Program.

#### 5.38.090. Severability.

If any part, provision, or section of this ballot initiative is held to be void or unconstitutional, all other parts, provisions, and sections of this ordinance not expressly so held to be void or unconstitutional shall continue in full force and effect.

#### 5.38.100. Effective date

This ballot initiative shall take effect and be in force on the later of (1) January 1, 2021 or (2) 30 days after the ballot initiative is approved by the People.